Restructure

- **Minimal restructuring would not do the job (e.g., annualized interest payments)**
- **Restructuring within 10 years is fair, reasonable, financable and defensible**
  - **six year PIK**
  - **ten year maturity**
  - **75% of licensees' free cash flow paid to the government to catch up with the current payment terms**
  - **Some level of subordination by the FCC**
  - **Accelerated build-out**
- ***Qualifying individuals will not be able to sell any shares or otherwise drive an economic benefit from their interest in the company until the government is repaid***

Reauction

- Could delay competition unless it happens within 9 months
- The government could lose a substantial amount of the face value of the C-block obligation
- Huge loss of investments already made in the build-out of the C-block markets
- Reauction participation should be limited to DEs
- Credit the downpayments towards participation in an all cash payment reauction with a reasonable penalty
  - C-block is not currently in default so there is no need for a large penalty
- 30% of the C-block net price per POP as the minimum bid amount

C-block Can Prevail

- C-block licensees need a reasonable level of restructuring to continue with their fund raising until the public markets improve

Let the American dream stay alive for the DEs, the US taxpayers and the government

WT 97-82

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August 5, 1997

Mr. Jon C. Garcia
Director of Strategic Analysis
Office of Plans and Policy
Federal Communications Commission
1919 M Street, NW, Room 822
Washington, DC 20554

Dear Jon:

Thank you for taking the time to meet with Steve Hillard and me today to discuss your C Block Task Force efforts.

You asked that we summarize our views for your reference. As you know, it is our fundamental view that the Commission should enforce its rules and hold all participants to the terms that they agreed to through the auction. To the extent that you consider relief and without waiving any rights as to future appeals, the following outline summarizes the points that we made to you this morning:

1. First and Foremost The Commission Must Announce (and Follow) a Hard Line Regarding Enforcement of its Competitive Bidding Rules

   - The Commission must enforce its Rules.

   - The Commission must take aggressive measures to collect money owed to the government.

   - The Commission must assert claims for deficiencies.

   - The Commission must announce its intention to "pierce the corporate veil" in the case of thinly-capitalized entities that misrepresented their financial capacity prior to auction.

WT 97-82

ELDORADO COMMUNICATIONS, L.L.C.
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August 13, 1997

Mr. Jon Garcia
PCS Restructuring Task Force
Federal Communications Commission
1919 M Street, N.W., Room 822
Washington, DC 20554

Dear Mr. Garcia:

I am sending you this letter on behalf of Eldorado Communications, L.L.C. ("Eldorado") which was a participant in the "C" block auction. Eldorado was formed by numerous small investors to purchase second tier PCS markets which Eldorado planned to build out in conjunction with our larger "C" block neighbors. Unfortunately, because of the over exuberance of some "C" block bidders, we were unable to purchase a significant block of properties and we finished the "C" block auction with only three markets: Blytheville, Arkansas, Eldorado, Arkansas, and Tupelo, Mississippi. These markets represent less than 500,000 pops.

We, therefore, have a very small base of properties and can not accomplish our development without a working relationship with our "C" block neighbors. Unfortunately, due to the financing structure of the "C" block, our neighbors have overextended themselves and are unable to buildout their systems. This has negatively impacted our ability to develop our properties. We, therefore, have markets that are diminishing in value due to the market circumstances of our neighbors and the daily development of our competitors.

I have somewhat ambivalent feelings toward the situation as it exists today for the "C" block markets. Because the larger companies overspent, they drove up the prices for smaller entrepreneurial companies, like Eldorado, which limited the number of markets we could buy. Furthermore, now that the larger companies control these properties, they are unable to build them which gives us further problems because we can not develop our few markets as stated above. Again, the value of these markets continues to erode as a function of time, competition, and the additional spectrum the FCC keeps dumping on the market.

Obviously, mistakes were made by both the FCC and the individuals purchasing the "C" block licenses and now everyone wants a solution to the problem. I believe that any solution has to be one that will address the "C" block participants who were unsuccessful due to their conservative bidding strategy versus the large "C" block purchasers who drove up the prices of the "C" block. **(It is unfair for the undisciplined companies to benefit at the expense of the more prudent companies who did not bid the high prices.)**

In this context, I would like to propose the following three-part program which would provide relief for all parties:

First: I would provide relief for any company that is willing to surrender 70% of its pops or greater in the form of a surrender credit.

Second: For voluntarily surrendering their markets, I would give credit for each pop returned to the FCC of approximately 130% of the original per pop cost, but only if the company turns in 70% of its pops or greater.

An example of this voluntary surrender is set forth as follows:

10,000,000 pops originally purchased at $20.00 per pop = $200,000,000 owed to U.S. Government.

10,000,000 x $20 =	$200,000,000
Less down payment of 10%:	20,000,000
Balance:	$180,000,000

The company would surrender 70% of 10,000,000 pops which would earn approximately $180,000,000 in credit for the company (7,000,000 x $20 x 130%). The company can then apply the $180,000,000 credit against the $180,000,000 it owes the government which will result in a balance owed to the U.S. Government of $0.

By receiving this credit for voluntarily returning a substantial portion of its pops, the company would have net cost for the remaining 3,000,000 pops of: $20,000,000 cost / 3,000,000 = $6.66 per pop or 33.3% of the original price (which equals the 10% down payment already made on all pops won at the auction).

Third: With all the pops that are returned, I would have a re-auction. This auction would be limited to those who participated in the original "C" block auction. This auction would be subject to the following rules:

1. No company could acquire more than 10,000,000 pops in the re-auction.
2. If an existing "C" block owner is above the 5,000,000 cap already, they would be allowed to buy another 5,000,000 pops.
3. Auction would be for cash with no financing.
4. If it was a small company and could not use all of its credit as set forth above, it would be allowed to use this credit in the re-auction.
5. Auction would last for one week. Whoever is the highest bidder at the last round will win the market even if there were other lower bidders. If you have a tie, you could have a one day "bid off" for those markets.

The reason I think this is a reasonable proposal is that it accomplishes the following:

1. If companies avail themselves of the proposal set forth above, the re-auction would give the small entrepreneurial companies that were unsuccessful or had limited success in the initial auction a chance to participate which was supposed to be the main goal of the "C" block auction.
2. The FCC can justify this plan because it does not reduce the price for the pops that were auctioned. It simply rewards companies for voluntarily returning pops and giving the small companies a chance to participate in the wireless business.
3. In addition, companies that use this plan will not be granted debt relief by the FCC but will be given an actual credit for a return of property ("licenses").
4. This is a defendable proposal as opposed to simple debt relief or automatic discount because it will require the existing "C" block owners to divest a significant percentage (70%) of their pops in return for exercising this option. It is not a one sided "give away".
5. This would be a voluntary plan with the present "C" block owners retaining the option to keep all their pops or return their pops to the FCC under this plan. No company is forced to exercise this option.
6. The market owners who participate in this program should be financially strengthened after their divestiture.
7. This will not create the problem of putting additional spectrum on the market that the 10 MHz carve out/price reduction plan would cause.
8. The "C" block owners would have a full 30 MHz that should be important in the future with new applications and technologies being developed.

In conclusion, while no plan is perfect, this one has both sacrifices and rewards for the existing "C" block owners who take advantage of it, while also allowing the government to accomplish its primary objective of the "C" block auction by helping the small entrepreneur develop a business.

We have placed a copy of this letter in the formal docket for this proceeding.

If you have any questions or would like to discuss this further, please contact me at (901) 763-3333.

Your consideration of the proposal set forth hererin is greatly appreciated.

Sincerely,

William M. Yandell III
Chief Executive Officer

WMY:tg

ClearComm

August 15, 1997

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AUG 18 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

John Garcia
Director of Strategic Analysis
Federal Communications Commission
1919 M Street, N.W. - Room 838
Washington, D. C. 20554

Re: PCS C Block WT Docket No. 97-82

Dear Mr. Garcia:

In recent days, representatives of Clear Comm, L.P., have met with you to urge early adoption of a proposal for restructuring of C Block license debt along lines that we had described in a July 29, 1997 Ex Parte filing with the Commission. It now seems apparent to Clear Comm that there is not sufficient support within the Agency for our proposal, even though it contemplated accelerated system deployment in return for a one or two year waiver of interest on FCC license debt.

Clear Comm believes that some positive action soon by the Commission is essential, to reassure the financial markets. For these reasons, we have decided to support the proposal made by AmeriCall International, LLC ("AmeriCall") in this docket. Clear Comm supports especially those elements of AmeriCall's plan that would (i) permit licensees to disaggregate and return to the Commission up to 15 MHz of any or all of the C Block licenses in exchange for a proportionate reduction of license debt, (ii) clarify that there will be no cross-default among separate licenses held by a single licensee, and (iii) eliminate limits on passive investment from a single investor outside the control group.

Clear Comm's support for AmeriCall's proposal presumes that any excess deposits that will result from reduction of license debt, and continue to be held by the Commission, could be applied by the licensee as a credit against interest otherwise payable in the early years under the restructured debt.

ClearComm, LP
1750 K Street NW
Washington, DC 20006
Phone (202) 828-4926
Fax (202) 429-7049

Sincerely,
CLEAR COMM, L.P.

Tyrone Brown
Senior Vice President

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July 29, 1997

Mr. Jon Garcia
PCS Financing Issues Task Force
Federal Communications Commission
1919 M Street, NW
Washington, DC

Re: WT Docket 97-82

Dear ~~Mr. Garcia~~ Jon:

NextWave Telecom Inc.

This letter summarizes features of NextWave's revised government debt restructuring proposal. It addresses the need to finance rapid network buildout supporting a host of resellers that are ready, willing and able to compete with incumbent carriers in 63 C block markets. At the same time, this modified proposal ensures that the full $4.2 billion debt and interest that we owe to the government is paid in full (in addition to the $500 million already paid). Since its formation, NextWave has been focused on aggressive, facilities-based competition, and has already spent approximately $80 million for rapid facilities deployment from coast to coast. We look forward to discussing with you this practical way to regain forward momentum on this competitive path.

As promised, attached is a copy of the presentation materials we would like to discuss with you this afternoon. In response to what we understand are the FCC's concerns regarding the baseline approach we proposed in our comments, NextWave is prepared to discuss with you another potential approach to restructuring the C block debt.

The critical components of this approach are that it:

- Keeps the government whole.
- Keeps the payment term within the license term.
- Provides an early repayment to the government in a positive financial environment.

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List ABCDE

- Gives licensees time to seek public financing in the event they continue to face difficult financial markets.
- Relies on existing Section 1.2110(e)(4)(ii).

The specific features of NextWave's approach include:

- Accrete interest in years 1-6, (deferring cash payment), with accelerated payments to the government based on operating performance.
- Cash interest payment in years 7-10.
- Principal and remaining interest balloon payment due in year 10.
- Commercially reasonable government debt subordination terms.
- Control group to be diluted with all shareholders; control maintained only through voting control.

We are very interested in discussing the details of this plan with you this afternoon.

NextWave Telecom Inc.

Sincerely,

Janice Obuchowski

Janice Obuchowski
Executive Vice President

NextWave Telecom Inc.

NextWave's Revised Debt Repayment and Competition Promotion Proposal

July 29, 1997

Features:

- Defer cash interest in years 1-6.
  - Early cash repayment of interest based on operating and equity performance
- Principal and remaining interest balloon payment due in year 10.
- Government debt subordination

NextWave's Revised Plan Provides Additional Benefits to Government

- Early cash payment of interest based on operating performance.

- Accelerated buildout.

Benefits of NextWave's Revised Competition Plan

- Benefits taxpayers; keeps the Government whole;
- Keeps the payment term within the license term;
- Provides an early repayment to the government in a positive financial environment.
- Relies on existing Section 1.2110(e)(4)(ii):
  - "If the Commission grants a request for a grace period, or otherwise approves a restructured payment schedule, interest will continue to accrue and will be amortized over the remaining term of the license."
- Gives C Block licensees time to seek public financing in the event they continue to face difficult markets.

Amnesty Only Works If:

- Licensees seeking amnesty are able to choose which licenses to return to the FCC;
- Licensees are allowed to fully participate in any reauction;
- The down payment funds from the first auction are applied to the payment for licenses won in any reauction.
- Any amnesty proposal should consider the time value of money for funds deposited with the FCC and any funds spent on network buildout thus far.
  - If down payments invested at prime rate, NextWave would have earned $40,904,444 in interest.
  - If down payments invested in S&P Index, NextWave would have earned $222,001,342.

Debunking the 10 Greatest Myths About Restructuring

July 29, 1997

Myth #1: Restructuring Harms Taxpayers

- The NextWave proposal provides for payment in full of all principal and all interest -- Government remains whole.
- Best way to guarantee facilities-based competition and ultimate payback in a capital-intensive industry is to adopt a payment schedule which defers payment.

Company	Non-Cash Period	Issue Date	Instrument
McCaw	4.5 Years	June 1988	Senior discount debentures
Nextel	5.5 Years	8/93; 2/94	Senior discount notes
Clearnet	6 Years	12/95	Senior discount notes
Aerial	10 Years	11/96	Zero coupon due 2006
Sprint	5 Years	8/96	Senior discount notes

(More)

Myth #1: Restructuring Harms Taxpayers (cont'd)

- The result most harmful to taxpayers will be a reauction, which will yield "fire sale" prices.
  - Impact of 2.3 GHz auction on spectrum market
  - Impact of extended 2+ year headstart; there are now more than 100 A and B markets built and operating.

Myth #2: The Commission has the option of "waiting it out"

- "Temporary" steps only exacerbate financial market's lack of certainty concerning ability of new entrants to compete in an era of market consolidation and changing spectrum and budgetary policy.

- Unbuilt spectrum is a "wasting asset" given buildout and customer acquisition progress by incumbent competitors.

- Every day of delay adds to incumbents' already substantial time-to-market advantage, undercutting the public policy goal of fostering wireless competition.

(More)

Myth #2: The Commission has the option of "waiting it out" (cont'd)

- Further market improvement is inherently speculative.
- Additional spectrum to be auctioned in near future:
  - LMDS
  - 800 MHz SMR
  - 220 MHz
  - General Wireless Communications Service
  - 37/39 GHz
  - Narrowband Personal Communications Service
- Congress has directed the Commission to auction 190 MHz of new spectrum over the next 10 years.

Myth #3: Entrepreneurs' auction is already successful in promoting broad based competition

- No stand-alone C Block licensee has completed a public debt or equity offering in 1997.
- Licensees seeking restructuring comprise over 90% of the top 50 C Block POPs and 95% of the top 50 markets.
- Without those C Block licensees, remaining Entrepreneurs cannot succeed in providing nationwide, robust competition to incumbents.
- Many small entrepreneurs have not been able to actively participate in this proceeding; lacking funds to do so they have relied on industry advocates such as NAPE.

Myth #4: Financing is available as evidenced by financing of other wireless carriers

- All reported financings involve either established carriers or entities funded by established carriers.

- At time of financing, Intercel had over $200 million in cash on hand and an existing cellular business that generated nearly $40 million in 1996 and over $19 million for the three-month period ending March 31, 1997 (See Appendix 4).

- All participants on Finance Panel at WTB Public Hearing agreed that C Block cannot be financed under existing payment structure.

Myth #5: C Block success not prerequisite to wireless competition

- 75% of cellular/PCS spectrum is controlled by "Legacy" telecommunications players with a tendency towards oligopolistic behavior.
- Absent new C Block entrants, markets will see license consolidation and could ultimately end up with only 4 competitors.
- Legacy players are not providing competitive opportunities to small businesses and resellers today. C Block entry is needed to change this equation.

(More)

Myth #5: C Block success not prerequisite to wireless competition (cont'd)

- According to NWRA, 70% of resellers are denied volume discounts that Legacy carriers offer their own retail customers;

- Even AT&T Wireless, the largest wireless carrier, has informed the Commission that it cannot obtain reasonable roaming/resale agreements with incumbent carriers.

- Rapid buildout of C Block infrastructure needed to create new market entry opportunities for resellers.

Myth #6: The C Block bidders were reckless and deserve no Commission consideration

- CBO report found that C Block prices were reasonable.

- CBO report also states that A and B Block prices were lower than C Block prices because of a relative lack of competition in that auction. A and B Block auction bidders received bargain prices (See Appendix 3).

- The eligibility ratio in the A and B Block auction was 1.9; the eligibility ratio for the C Block was 6.7.